

RECORDING REQUESTED PURSUANT
AND WHEN RECORDED MAIL TO:

Contra Costa County
Department of Conservation and Development
30 Muir Road
Martinez, CA 94553
Attn: Deputy Director

No fee for recording pursuant to
Government Code Section 27383

SUBORDINATION AND INTERCREDITOR AGREEMENT

(Church Lane and Idaho Apartments)

This Subordination and Intercreditor Agreement (the "Agreement") is dated December 1, 2017, and is among the City of El Cerrito, a municipal corporation (the "City"), the County of Contra Costa, a political subdivision of the State of California (the "County"), and San Pablo Preservation, L.P., a California limited partnership ("Borrower"), with reference to the following facts:

RECITALS

A. Defined terms used but not defined in these recitals are as defined in Section 1 of this Agreement.

B. Borrower is acquiring from Church Lane-Rubicon Partners, a California limited partnership (the "Church Lane Seller") that certain real property located at 2555 Church Lane in the City of San Pablo, County of Contra Costa, State of California, as more particularly described in Exhibit A (the "Church Lane Property"). The Church Lane Property is improved with twenty-two (22) units of affordable housing and attendant site improvements (the "Church Lane Improvements").

C. Borrower is acquiring from Idaho Apartments Associates, a California limited partnership (the "Idaho Apartments Seller") that certain real property located at 10203 San Pablo Avenue in the City of El Cerrito, County of Contra Costa, State of California, as more particularly described in Exhibit A (the "Idaho Apartments Property"). The Idaho Apartments Property is improved with twenty-nine (29) units of affordable housing and attendant site improvements (the "Idaho Apartments Improvements").

D. The Church Lane Improvements and the Idaho Apartments Improvements are collectively referred to as the "Improvements." The Church Lane Property and the Idaho Apartments Property, are collectively referred to as the "Property." The Improvements and the Property are collectively referred to as the "Development."

E. The County previously provided a loan of One Million Seven Hundred Five Thousand Nine Hundred Thirty-Three Dollars (\$1,705,933) to the Church Lane Seller comprised of Eight Hundred Four Thousand Four Hundred Dollars (\$804,400) in HOME Funds (the "Original Church Lane HOME Loan") and Nine Hundred One Thousand Five Hundred Thirty-Three Dollars (\$901,533) in CDBG Funds (the "Original Church Lane CDBG Loan").

F. The County previously provided the following loans to the Idaho Apartments Seller: (i) a loan of Seven Hundred Twenty-Five Thousand Dollars (\$725,000) comprised of Two Hundred Fifty-Five Thousand Dollars (\$255,000) in HOPWA Funds (the "Original Idaho Apartments HOPWA Loan") and Four Hundred Seventy Thousand Dollars (\$470,000) in CDBG Funds (the "Original Idaho Apartments CDBG Loan"); and a loan of One Hundred Two Thousand Dollars (\$102,000) of HOPWA Funds (the "Original Idaho Apartments Second HOPWA Loan"). The Original Church Lane HOME Loan, the Original Church Lane CDBG Loan, the Original Idaho Apartments HOPWA Loan, the Original Idaho Apartments CDBG Loan, and the Original Idaho Apartments Second HOPWA Loan are collectively referred to as the "Original County Loans."

G. In support of the rehabilitation of the Improvements and a common scheme of financing, the County has agreed to restructure the Original County Loans and consent to their assignment to Borrower. The Original County Loans as restructured are the "Combined County Loan." The Principal amount of the Combined County Loan Three Million Eighty-Six Thousand Six Hundred Eleven Dollars (\$3,086,611).

H. The Combined County Loan is evidenced by a Development Loan Agreement between the County and Borrower of even date herewith (the "County Loan Agreement"). Pursuant to the County Loan Agreement the Original County Loans are restructured to: (i) extend their term, (ii) change the interest rate, and (iii) include accrued interest in the outstanding principal amount. The Combined County Loan is evidenced by following promissory notes executed Borrower for the benefit of the County (collectively, the "County Notes"): (i) a promissory note in the combined amount of the Original Church Lane HOME Loan and the Original Church Lane CDBG Loan, as restructured; and (ii) a promissory note in the combined amount of the Original Idaho Apartments HOPWA Loan, the Original Idaho Apartments CDBG Loan, and the Original Idaho Apartments Second HOPWA Loan, as restructured. The Combined County Loan is also evidenced by: (i) a Deed of Trust with Assignment of Rents, Security Agreement, and Fixture Filing of even date herewith among Borrower, as trustor, North American Title Company, as trustee, and the County, as beneficiary recorded against the Property concurrently herewith (the "County Deed of Trust"), (ii) a Regulatory Agreement and Declaration of Restrictive Covenants of even date herewith, between the County and Borrower to be recorded against the Church Lane Property (the "Church Lane Regulatory Agreement"), and (iii) a Regulatory Agreement and Declaration of Restrictive Covenants of even date herewith, between the County and Borrower to be recorded against the Idaho Apartments Property (the "Idaho Apartments Regulatory Agreement"). The County Deed of Trust, the Church Lane Regulatory Agreement, and the Idaho Apartments Regulatory Agreement are collectively referred to as the "County Recorded Documents."

I. The former Redevelopment Agency of the City of El Cerrito previously made a loan to the Idaho Apartments Seller in the amount of Three Hundred Fifty Thousand Dollars (\$350,000) (the "Original City Loan") as such loan has been assumed by the City as the

Successor Housing Agency to the former Redevelopment Agency of the City of El Cerrito in accordance with California Health and Safety Code Section 34176.

J. In support of the rehabilitation of the Improvements and a common scheme of financing, the City has agreed to restructure the Original City Loan and consent to their assignment to Borrower. The principal amount of the Original City Loan as restructured is Four Hundred Thirty Two Thousand Two Hundred Fifty Dollars (\$432,250) (the "Restructured City Loan").

K. The Restructured City Loan is evidenced by the following documents (among others): (i) an Amended and Restated Loan Agreement by and between the City and Borrower of even date therewith (the "City Loan Agreement"); (ii) Construction and Permanent Deed of Trust and Security Agreement executed by Borrower for the benefit of the City to be recorded against the Property (the "City Deed of Trust"); (iii) a Regulatory Agreement and Declaration of Restrictive Covenants between the City and Borrower to be recorded against the Idaho Apartments Property (the "City Regulatory Agreement"), (iv) a Notice of Affordability Restrictions on Transfer of Property between the City and Borrower to be recorded against the Idaho Apartments Property (the "Affordability Notice") and (v) an Amended and Restated Promissory Note executed by Borrower for the benefit of the City in the amount of the Restructured City Loan (the "City Note"). The City Deed of Trust, the Affordability Notice, and the City Regulatory Agreement are collectively referred to as the "City Recorded Documents."

L. The City and the County desire to: (i) subordinate the City Recorded Documents to the County Recorded Documents, and (ii) divide the Lenders' Share of Residual Receipts, and Borrower's Shared Portion of Residual Receipts, as described herein.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

1. Definitions. The following terms have the following meanings:
 - (a) "Annual County Loan Payment" has the meaning in Section 2(a).
 - (b) "Annual City Loan Payment" has the meaning in Section 2(b).
 - (c) "Annual Operating Expenses" means for each calendar year, the following costs reasonably and actually incurred for operation and maintenance of the Development:
 - i. property taxes and assessments imposed on the Development;
 - ii. debt service currently due on a non-optional basis (excluding debt service due from residual receipts or surplus cash of the Development) on the Permanent Loan;
 - iii. on-site service provider fees for tenant social services, provided the County and City have approved, in writing, the plan and budget for such services before such services begin;

- iv. fees paid to the Government Lender with respect to the Government Lender Note;
- v. payment to HCD of a portion of the accrued interest on the HCD MHP-SH Loan pursuant to California Code of Regulations, Title 25, Section 7308;
- vi. property management fees and reimbursements, on-site property management office expenses, and salaries of property management and maintenance personnel, not to exceed amounts that are standard in the industry and which are pursuant to a management contract approved by the County and the City;
- vii. the Partnership/Asset Fee;
- viii. fees for accounting, audit, and legal services incurred by Borrower's general partner in the asset management of the Development, not to exceed amounts that are standard in the industry, to the extent such fees are not included in the Partnership/Asset Fee;
- ix. premiums for insurance required for the Improvements to satisfy the requirements of any lender of Approved Financing;
- x. utility services not paid for directly by tenants, including water, sewer, and trash collection;
- xi. maintenance and repair expenses and services;
- xii. any annual license or certificate of occupancy fees required for operation of the Development;
- xiii. security services;
- xiv. advertising and marketing;
- xv. cash deposited into the Replacement Reserve Account in the amount set forth in Section 4.1(a) of the County Loan Agreement;
- xvi. cash deposited into the Operating Reserve Account to maintain the amount set forth in Section 4.1(b) of the County Loan Agreement (excluding amounts deposited to initially capitalize the account);
- xvii. payment of any previously unpaid portion of Developer Fee (without interest), not to exceed the amount set forth in Section 3.11 of the County Loan Agreement;
- xviii. extraordinary operating costs specifically approved in writing by the County and the City;
- xix. payments of deductibles in connection with casualty insurance

claims not normally paid from reserves, the amount of uninsured losses actually replaced, repaired or restored, and not normally paid from reserves, and other ordinary and reasonable operating expenses approved in writing by the County and the City and not listed above.

Annual Operating Expenses do not include the following: depreciation, amortization, depletion or other non-cash expenses, initial deposits to capitalize a reserve account, any amount expended from a reserve account, and any capital cost associated with the Development.

(d) "Approved Financing" means all of the following loans, grants and equity obtained by Borrower and approved by the County and the City for the purpose of financing the acquisition of the Property and construction of the Development in addition to the Combined County Loan and the Restructured City Loan:

(i) California Municipal Finance Authority 2017 Multifamily Housing Revenue Note (Church and Idaho Apartments) issued by the California Municipal Finance Authority (the "Government Lender") in the approximate amount of Twelve Million One Hundred Seven Thousand One Hundred Fifty-Nine Dollars (\$12,107,159) (the "Government Lender Note"), the proceeds of which are loaned to Borrower by the Government Lender pursuant to a funding loan to the Government Lender by the Bank (the "Bank Loan") which will convert to a permanent loan in the approximate amount of Two Million Ninety-Six Thousand Dollars (\$2,096,000) (the "Permanent Loan");

(ii) the Low Income Housing Tax Credit investor equity funds in the approximate amount of Seven Million Two Hundred Ten Thousand Seven Hundred Sixteen Dollars (\$7,210,716) (the "Tax Credit Investor Equity") provided by the Investor Limited Partner;

(iii) the loan from Church Lane Seller in the approximate amount of One Million Five Hundred Thirty-Six Thousand Three Hundred Sixty-Seven Dollars (\$1,536,367) (the "Church Lane Seller Loan");

(iv) the loan from Idaho Apartments Seller in the approximate amount of Six Hundred Eighty-Two Thousand One Hundred Sixty-Three Dollars (\$682,163) (the "Idaho Apartments Seller Loan");

(v) the loan from RCD of state certificated credits in the approximate amount of One Million Five Hundred Seventeen Thousand Four Hundred Sixty-Four Dollars (\$1,517,464) (the "State Credits Loan");

(vi) the capital contribution from Borrower's general partner in the approximate amount of One Million Seventeen Thousand Two Hundred Eleven Dollars (\$1,017,211) (the "GP Capital Contribution");

(vii) Affordable Housing Program Loan from the Federal Home Loan Bank of San Francisco in the approximate amount of Four Hundred Ninety Thousand Dollars (\$490,000) (the "AHP Loan"); and

(viii) the permanent loan of Multifamily Housing Program – Supportive Housing funds from the California Department of Housing and Community Development ("HCD") in the approximate amount of Three Million One Hundred Sixty-Two Thousand Five Hundred Sixty-Four Dollars (\$3,162,564) (the "HCD MHP-SH Loan").

(e) "Bank" means MUFG Union Bank, N.A., a national banking association.

(f) "Borrower" has the meaning set forth in the first paragraph of this Agreement.

(g) "Borrower's Shared Portion of Residual Receipts" means twenty-five percent (25%) of Residual Receipts.

(h) "CDBG Funds" means funds provided to the County from HUD under Title I of the Housing and Community Development Act of 1974, as amended which must be used by in accordance with 24 C.F.R. Part 570.

(i) "Church Lane Improvements" has the meaning set forth in Paragraph B of the Recitals.

(j) "Church Lane Property" has the meaning set forth in Paragraph B of the Recitals.

(k) "Church Lane Regulatory Agreement" has the meaning set forth in Paragraph H of the Recitals.

(l) "Church Lane Seller" has the meaning set forth in Paragraph B of the Recitals.

(m) "City" has the meaning set forth in the first paragraph of this Agreement.

(n) "City Additional Prorata Share" means the result obtained by dividing Restructured City Loan by the sum of the Combined County Loan and the Restructured City Loan.

(o) "City Deed of Trust" has the meaning set forth in Paragraph K of the Recitals.

(p) "City Loan Agreement" has the meaning set forth in Paragraph K of the Recitals.

(q) "City Note" has the meaning set forth in Paragraph K of the Recitals.

(r) "City Prorata Percentage" means the result, expressed as a percentage, obtained by dividing the Restructured City Loan, by the sum of the Restructured City Loan, the Combined County Loan and the HCD MHP-SH Loan, to the extent of loan funds disbursed.

(s) "City Recorded Documents" has the meaning set forth in Paragraph K of the Recitals.

- (t) "City Regulatory Agreement" has the meaning set forth in Paragraph K of the Recitals.
- (u) "Combined County Loan" has the meaning set forth in Paragraph G of the Recitals.
- (v) "Completion Date" means the date a final certificate of occupancy, or equivalent document is issued by the City to certify that the Development may be legally occupied.
- (w) "County" has the meaning set forth in the first paragraph of this Agreement.
- (x) "County Additional Prorata Share" means the result obtained by dividing Combined County Loan by the sum of the Combined County Loan and the Restructured City Loan.
- (y) "County Deed of Trust" has the meaning set forth in Paragraph H of the Recitals.
- (z) "County Loan Agreement" has the meaning set forth in Paragraph H of the Recitals.
- (aa) "County Prorata Percentage" means the result, expressed as a percentage, obtained by dividing the Combined County Loan, by the sum of the Combined County Loan, the Restructured City Loan and the HCD MHP-SH Loan, to the extent of loan funds disbursed.
- (bb) "County Notes" has the meaning set forth in Paragraph H of the Recitals.
- (cc) "County Recorded Documents" has the meaning set forth in Paragraph H of the Recitals.
- (dd) "Default Rate" means a rate of interest equal to the lesser of the maximum rate permitted by law and ten percent (10%) per annum.
- (ee) "Developer Fee" has the meaning set forth in Section 3.11 of the County Loan Agreement.
- (ff) "Development" has the meaning set forth in Paragraph D of the Recitals.
- (gg) "Fifteen Year Compliance Period" means the fifteen (15)-year compliance period as described in Section 42(i)(1) of the Internal Revenue Code of 1986, as amended.
- (hh) "Government Lender" has the meaning set forth in Section 1(d)(i).
- (ii) "Government Lender Note" has the meaning set forth in Section 1(d)(i).

(jj) "Gross Revenue" means for each calendar year, all revenue, income, receipts, and other consideration actually received from the operation and leasing of the Development. Gross Revenue includes, but is not limited to:

- i. all rents, fees and charges paid by tenants;
- ii. Section 8 payments or other rental subsidy payments received for the dwelling units;
- iii. deposits forfeited by tenants;
- iv. all cancellation fees;
- v. price index adjustments and any other rental adjustments to leases or rental agreements;
- vi. net proceeds from vending and laundry room machines;
- vii. the proceeds of business interruption or similar insurance not paid to senior lenders;
- viii. the proceeds of casualty insurance not used to rebuild the Development and not paid to senior lenders; and
- ix. condemnation awards for a taking of part or all of the Development for a temporary period.

Gross Revenue does not include tenants' security deposits, loan proceeds, capital contributions or similar advances.

(kk) "HCD" has the meaning set forth in Section 1(d)(ix).

(ll) "HCD MHP-SH Loan" has the meaning set forth in Section 1(d)(ix).

(mm) "HOME Funds" means Home Investment Partnerships Act funds provided from HUD to the County pursuant to the Cranston-Gonzales National Housing Act of 1990, which must be used in accordance with 24 C.F.R. Part 92.

(nn) "HOPWA Funds" means Housing Opportunities for Persons with AIDS Program funds from HUD pursuant to the HOPWA Program which are available to and administered by the County as a subrecipient of the City of Oakland, which is the representative for the Alameda-Contra Costa County Eligible Metropolitan Area, and which must be used in accordance with 24 C.F.R. Section 574 et seq.

(oo) "HUD" means the United States Department of Housing and Urban Development.

(pp) "Idaho Apartments Improvements" has the meaning set forth in Paragraph C of the Recitals.

(qq) "Idaho Apartments Property" has the meaning set forth in Paragraph C of the Recitals.

(rr) "Idaho Apartments Regulatory Agreement" has the meaning set forth in Paragraph H of the Recitals.

(ss) "Idaho Apartments Seller" has the meaning set forth in Paragraph C of the Recitals.

(tt) "Improvements" has the meaning set forth in Paragraph D of the Recitals.

(uu) "Investor Limited Partner" means, Red Stone Equity-2017 National Fund, L.P., a Delaware limited partnership, and its permitted successors and assigns.

(vv) "Lenders' Share of Residual Receipts" means fifty percent (50%) of Residual Receipts.

(ww) "Original City Loan" has the meaning set forth in Paragraph I of the Recitals.

(xx) "Original Church Lane CDBG Loan" has the meaning set forth in Paragraph E of the Recitals.

(yy) "Original Church Lane HOME Loan" has the meaning set forth in Paragraph E of the Recitals.

(zz) "Original County Loans" has the meaning set forth in Paragraph F of the Recitals.

(aaa) "Original Idaho Apartments CDBG Loan" has the meaning set forth in Paragraph F of the Recitals.

(bbb) "Original Idaho Apartments HOPWA Loan" has the meaning set forth in Paragraph F of the Recitals.

(ccc) "Original Idaho Apartments Second HOPWA Loan" has the meaning set forth in Paragraph F of the Recitals.

(ddd) "Parties" means the City, the County, and Borrower.

(eee) "Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership, dated on or about the date of recordation of the Deeds of Trust, as may be amended from time to time, that governs the operation and organization of Borrower as a California limited partnership.

(fff) "Partnership/Asset Fee" means (i) partnership management fees (including any asset management fees) payable pursuant to the Partnership Agreement to any partner or affiliate of Borrower or any affiliate of a partner of Borrower, if any, during the Fifteen Year Compliance Period, and (ii) after the expiration of the Fifteen Year Compliance Period asset management fees payable to partners of Borrower, in the amounts approved by the County as set forth in Section 3.12 of the County Loan Agreement.

(ggg) "Permanent Loan" has the meaning set forth in Section 1.1(d)(i).

(hhh) "Property" has the meaning set forth in Paragraph D of the Recitals.

(iii) "RCD" means Resources for Community Development, a California nonprofit public benefit corporation.

(jjj) "Residual Receipts" means for each calendar year, the amount by which Gross Revenue exceeds Annual Operating Expenses.

(kkk) "Restructured City Loan" has the meaning set forth in Paragraph J of the Recitals.

(lll) "Statement of Residual Receipts" means an itemized statement of Residual Receipts.

(mmm)"Term" means the period of time that commences on the date of this Agreement, and expires, unless sooner terminated in accordance with this Agreement, on the fifty-fifth (55th) anniversary of the Completion Date; provided, however, if a record of the Completion Date cannot be located or established, the Term will expire on the fifty-seventh (57th) anniversary of this Agreement.

2. Annual Payments to County and City.

(a) Combined County Loan.

i. Commencing on June 1, 2020, and on June 1 of each year thereafter during the Term, Borrower shall make a loan payment to the County in an amount equal to the sum of (1) the County Loan Prorata Percentage of the Lenders' Share of Residual Receipts and (2) the County Additional Prorata Share multiplied by Borrower's Shared Portion of Residual Receipts (each such payment, an "Annual County Loan Payment"). A numerical example of the methodology to be used to calculate the Annual County Loan Payment is shown in Exhibit B attached hereto. In the event of a conflict between the text of this Section 2(a) and Exhibit B, the text of this Section 2(a) will prevail. The County shall apply all Annual County Loan Payments to the Combined County Loan as follows: (1) first, to accrued interest, and (2) second, to principal.

ii. Borrower shall repay the Combined County Loan pursuant to the terms of the County Loan Agreement and the County Notes. In the event of any conflict between the repayment terms and provisions of the County Loan Agreement and this Agreement, the provisions of this Agreement apply. The County may not consent to any amendment or

waiver of the terms of the County Loan Agreement or the County Notes if such amendment or waiver could reasonably be deemed to materially adversely affect the City, without the City's prior written approval, which the City may withhold in its sole discretion.

(b) City Loan.

i. Commencing on June 1, 2020, and on June 1 of each year thereafter during the Term, Borrower shall make a loan payment to the City in an amount equal to the sum of (1) the City Loan Prorata Percentage of the Lenders' Share of Residual Receipts and (2) the City Additional Prorata Share multiplied by Borrower's Shared Portion of Residual Receipts (each such payment, an "Annual City Loan Payment"). A numerical example of the methodology to be used to calculate the Annual City Loan Payment is shown in Exhibit B attached hereto. In the event of a conflict between the text of this Section 2(b) and Exhibit B, the text of this Section 2(b) will prevail. The City shall apply all Annual City Loan Payments to the Restructured City Loan as follows: (1) first, to accrued interest, and (2) second, to principal for the City Loan.

ii. Borrower shall repay the City Loan pursuant to the terms of the City Loan Agreement and the City Note. In the event of any conflict between the repayment terms of the City Loan Agreement and this Agreement, the provisions of this Agreement apply. The City may not consent to any amendment or waiver of the terms of the City Loan Agreement or the City Note, if such amendment or waiver could reasonably be deemed to materially adversely affect the County, without the County's prior written approval, which the County may withhold in its sole discretion.

3. Reports and Accounting of Residual Receipts.

(a) Annual Reports. In connection with the Annual County Loan Payment and the Annual City Loan Payment, Borrower shall furnish to the City and the County:

i. The Statement of Residual Receipts for the relevant period. The first Statement of Residual Receipts will cover the period that begins on January 1, 2019 and ends on December 31st of that same year. Subsequent statements of Residual Receipts will cover the twelve-month period that ends on December 31 of each year;

ii. A statement from the independent public accountant that audited Borrower's financial records for the relevant period, which statement must confirm that Borrower's calculation of the Lender's Share of Residual Receipts and Borrower's Shared Portion of Residual Receipts is accurate based on Operating Income and Annual Operating Expenses; and

iii. Any additional documentation reasonably required by the County or the City to substantiate Borrower's calculation of Lender's Share of Residual Receipts and Borrower's Shared Portion of Residual Receipts.

(b) Books and Records. Borrower shall keep and maintain at the principal place of business of Borrower set forth in Section 5 below, or elsewhere with the written consent of the County and the City, full, complete and appropriate books, record and accounts relating to

the Development, including all books, records and accounts necessary or prudent to evidence and substantiate in full detail Borrower's calculation of Residual Receipts and disbursements of Residual Receipts. Borrower shall cause all books, records and accounts relating to its compliance with the terms, provisions, covenants and conditions of this Agreement to be kept and maintained in accordance with generally accepted accounting principles consistently applied, and to be consistent with requirements of this Agreement, which provide for the calculation of Residual Receipts on a cash basis. Borrower shall cause all books, records, and accounts to be open to and available for inspection by the County and the City, their auditors or other authorized representatives at reasonable intervals during normal business hours. Borrower shall cause copies of all tax returns and other reports that Borrower may be required to furnish to any government agency to be open for inspection by the County and the City at all reasonable times at the place that the books, records and accounts of Borrower are kept. Borrower shall preserve records on which any statement of Residual Receipts is based for a period of not less than five (5) years after such statement is rendered, and for any period during which there is an audit undertaken pursuant to subsection (c) below then pending.

(c) County and City Audits.

i. The receipt by the County or the City of any statement pursuant to subsection (a) above or any payment by Borrower or acceptance by the County or the City of any loan repayment for any period does not bind the County or the City as to the correctness of such statement or such payment. The County or the City or any designated agent or employee of the County or the City is entitled at any time to audit the Residual Receipts and all books, records, and accounts pertaining thereto. The County and/or the City may conduct such audit during normal business hours at the principal place of business of Borrower and other places where records are kept. Immediately after the completion of an audit, the County or the City, as the case may be, shall deliver a copy of the results of the audit to Borrower.

ii. If it is determined as a result of an audit that there has been a deficiency in a loan repayment to the County and/or the City, then such deficiency will become immediately due and payable, with interest at the Default Rate from the date the deficient amount should have been paid. In addition, if the audit determines that Residual Receipts have been understated for any year by the greater of (i) \$2,500, and (ii) an amount that exceeds five percent (5%) of the Residual Receipts, then, in addition to paying the deficiency with interest, Borrower shall pay all of the costs and expenses connected with the audit and review of Borrower's accounts and records incurred by the County and/or the City.

4. Subordination.

(a) The County Recorded Documents will unconditionally be and at all times remain a lien or charge on the Property prior and superior to the City Recorded Documents.

(b) The City intentionally and unconditionally subordinates all of its rights, titles and interests in and to the Property that result from the City Recorded Documents, to the lien or charge of the County Recorded Documents upon the Property and understands that in reliance upon, and in consideration of, this subordination, specific loan modifications are being and will be made by the County and, as part and parcel thereof, specific monetary and other

obligations are being and will be entered into which would not be made or entered into but for said reliance upon this subordination.

5. Notice of Default. The County and the City shall each notify the other promptly upon declaring a default or learning of the occurrence of any material event of default, or any event which with the lapse of time would become a material event of default, under its respective loan documents for the Restructured City Loan and the Combined County Loan.

6. Notices. All notices required or permitted by any provision of this Agreement must be in writing and sent by registered or certified mail, postage prepaid, return receipt requested, or delivered by express delivery service, return receipt requested, or delivered personally, to the principal office of the Parties as follows:

City:	City of El Cerrito 10890 San Pablo Avenue El Cerrito, Ca 94530 Attn: City Manager
County:	County of Contra Costa Department of Conservation and Development 30 Muir Road Martinez, California 94553 Attention: Deputy Director
Borrower:	San Pablo Preservation, L.P. c/o Resources for Community Development 2220 Oxford Street Berkeley, California 94704 Attention: Executive Director
Investor Limited Partner:	RSEP Holding, LLC c/o Red Stone Partners, LLC 200 Public Square, Suite 2050 Cleveland, OH 44114 Attn: Managing Director and General Counsel

Such written notices, demands, and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate as provided in this Section. Receipt will be deemed to have occurred on the date marked on a written receipt as the date of delivery or refusal of delivery (or attempted delivery if undeliverable).

7. Titles. Any titles of the sections or subsections of this Agreement are inserted for convenience of reference only and are to be disregarded in interpreting any part of the Agreement's provisions.

8. California Law. This Agreement is governed by the laws of the State of California.

9. Severability. If any term of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions will continue in full force and effect unless the rights and obligations of the Parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

10. Legal Actions. If any legal action is commenced to interpret or to enforce the terms of this Agreement or to collect damages as a result of any breach of this Agreement, then the Party prevailing in any such action shall be entitled to recover against the Party not prevailing all reasonable attorneys' fees and costs incurred in such action.

11. Entire Agreement. This Agreement constitutes the entire understanding and agreement of the Parties with respect to the subordination of the City Recorded Documents to the lien or charge of the County Recorded Documents and the division of the Lenders' Share of Residual Receipts, and Borrower's Shared Portion of Residual Receipts between the City and the County.

12. Counterparts. This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

13. Amendments. This Agreement may not be modified except by written instrument executed by and amongst the Parties.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

BORROWER:

SAN PABLO PRESERVATION, L.P., a
California limited partnership

By: RCD GP LLC, a California limited liability
company, its general partner

By: Resources for Community
Development, a California nonprofit
public benefit corporation, its sole
member/manager

By: _____
Daniel Sawislak, Executive Director

APPROVED AS TO FORM:

SHARON L. ANDERSON
County Counsel

By: _____
Kathleen Andrus
Deputy County Counsel

COUNTY:

COUNTY OF CONTRA COSTA, a political
subdivision of the State of California

By: _____
John Kopchik
Director, Department of Conservation and
Development

CITY:

CITY OF EL CERRITO, a municipal
corporation

By: _____
Scott Hanin
City Manager

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Name: _____
Notary Public

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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STATE OF CALIFORNIA)

COUNTY OF _____)

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WITNESS my hand and official seal.

Name: _____
Notary Public

EXHIBIT A
LEGAL DESCRIPTION OF THE PROPERTY
(Church Lane and Idaho Apartments properties)

The land is situated in the State of California, County of Contra Costa, and is described as follows:

EXHIBIT B
COUNTY/CITY
RESIDUAL RECEIPTS NUMERICAL EXPLANATION

[To be Attached]